



WASHINGTON STATE LEGISLATURE

Joint Committee on Pension Policy

2420 Bristol Court S.W., Suite 101 – P.O. Box 40914
FAX: (360) 586-8135 (360) 753-9144 TDD: 1-800-635-9993

May 13, 2002

10 AM - 1 PM

Senate Hearing Room 4
Olympia

AGENDA

- 10:00 AM **(1) Committee Business: Rules of Procedure**
- 10:15 AM **(2) Plan 1 Retiree COLAs – Bob Baker, Research Analyst**
- 11:15 AM **(3) Governance — David Pringle, Research Analyst**
- 12:15 PM **(4) Actuarial Presentation — Larry Risch, Deputy Actuary**
- 1:00 PM **(5) Adjourn**

JOINT COMMITTEE ON PENSION POLICY

Proposed Meeting Schedule

(May 22, 2002)

April 17, 2002

10 AM- 12:30 PM, House Hearing Room A

Election of Officers
Meeting Schedule, Interim Issues
Session Update
Funding Projections

September 18, 2002

1 -4 PM, Senate Hearing Room 4

May 13, 2002

10 AM- 1 PM, Senate Hearing Room 4

Plan 1 Retiree COLAs
Governance
Actuarial Presentation

October 16, 2002

10 AM- 1 PM, Senate Hearing Room 4

Post-retirement Employment Status Report

June 19, 2002

10 AM- 1 PM, Senate Hearing Room 4

Governance
Public Safety Benefits

November 13, 2002

10 AM- 1 PM, Senate Hearing Room 4

Legislation

July 10, 2002

10 AM- 1 PM, Senate Hearing Room 4

Initiative Report
Membership and Service Credit
EMIs into LEOFF

December 4, 2002

12:30 - 3:30 PM, Senate Hearing Room 4

Legislation

August 14, 2002

10 AM- 1 PM, Senate Hearing Room 4

Disability

Rules of Procedure

RULE 7. JCPP Executive Committee. The JCPP shall reorganize promptly after the biennial appointment of members under Chapter 44.44 RCW.

An executive committee shall be established and shall include ~~((the immediate previous chair or co-chairs and))~~ four members elected by the JCPP~~((:))~~ representing the four major caucuses. Reorganization elections shall take place as follows: First, a chair shall be elected and then a vice-chair shall be elected. The chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The chair and vice-chair shall be from opposite chambers. The remaining two members of the executive committee shall then be elected from the two caucuses not represented by the chair or the vice-chair. Following the election of the four members of the executive committee, an alternate shall be elected from each of the four major caucuses to serve on the executive committee in the event of the absence of the executive committee member from the same caucus.

In the event that membership in the House of Representatives is evenly split between caucuses in an odd-numbered year, the Committee shall elect a co-chair from each of the two major caucuses of the House. In the event that membership in the House of Representatives is evenly split between caucuses in an even-numbered year, the Committee shall elect co-vice-chairs from each of the two major caucuses in the House. In the event that co-chairs or co-vice-chairs serve on the executive committee, no additional executive committee member from the House of Representatives shall be elected so that the total membership of the executive committee remains at four.

Joint Committee on Pension Policy

Rules of Procedure

Revised December 13, 2000

- RULE 1. Membership. The committee shall be composed of 16 members, 4 from each major caucus of the legislature. Appointments are for a biennium beginning at the close of the session in which the member is appointed and ending at the close of the next regular session held in an odd-numbered year or until a successor is appointed.
- RULE 2. Meetings. The Joint Committee on Pension Policy (JCPP) may meet once each month during the Legislative Interim, or at such other times when called by the chair or by the executive committee. The date, time, and place shall be set by the chair or executive committee. A good faith effort will be made to put notices of meetings in the printed monthly legislative meeting schedule and in the schedule available on the internet during the interim. A minimum of seven days' notice of any meeting shall be given.
- RULE 3. Rules of Order. All meetings of the JCPP, its executive committee, or any subcommittee created by the JCPP, shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.
- RULE 4. Quorum. A majority of the members shall constitute a quorum.
- RULE 5. Voting. A majority of committee members must vote in the affirmative for an action of the committee to be valid, unless provided otherwise in statute or these Rules of Procedure.
- RULE 6. Minutes. Minutes summarizing the proceedings of each JCPP meeting shall be kept. These minutes will include member attendance, any official actions taken at each meeting, and persons testifying.
- RULE 7. JCPP Executive Committee. The JCPP shall reorganize promptly after the biennial appointment of members under Chapter 44.44 RCW.

An executive committee shall be established and shall include the immediate previous chair or co-chairs and four members elected by the JCPP, representing the four major caucuses. Reorganization elections shall take place as follows: First, a chair shall be elected and then a vice-chair shall be elected. The chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The chair and vice-chair shall be from opposite chambers.

In the event that membership in the House of Representatives is evenly split between caucuses in an odd-numbered year, the Committee shall elect a co-chair from each of the two major caucuses of the House. In the event that membership in the House of Representatives is evenly split between caucuses in an even-numbered year, the Committee shall elect co-vice-chairs from each of the two major caucuses in the House.”

RULE 8. Duties of Officers.

- A. The chair shall preside at all meetings of the JCPP and executive committee, except that the vice chair shall preside when the chair is not present. In their absence, an executive committee member may preside.
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the JCPP and executive committee.
- C. The executive committee shall perform all duties assigned to it by these Rules of Procedure, and such other duties delegated to it by the JCPP, and shall set meeting agendas and recommend actions to be taken by the JCPP.

RULE 9. Resolutions and Proposals. Proposals for JCPP consideration or action on any subject within the scope of JCPP’s authority may be presented orally or in writing by any member of the JCPP. Resolutions addressed to the JCPP by the Washington State Legislature or either chamber thereof shall be deemed to have been presented to the JCPP without further action by any member. Proposals for JCPP consideration or action on any subject within the scope of JCPP’s authority may be presented in writing to JCPP by any member of the legislature.

RULE 10. Expenses. The biennial budget submission for the office of the state actuary shall be approved by the executive committee. JCPP members’ travel expenses shall be paid by the member’s legislative body.

RULE 11. State Actuary. If a vacancy occurs, the JCPP shall appoint a state actuary by a two-thirds majority from a list of applicants recommended by the executive committee. The state actuary shall serve as the chief of staff for the JCPP and shall perform such duties as the JCPP or its executive committee may require.

The compensation of the state actuary shall be determined by the executive committee and the executive committee shall provide for a regular performance evaluation of the state actuary.

The state actuary may be terminated based on the recommendation of the executive

committee subject to the approval of two-thirds of the membership of the JCPP.

RULE 12. Other Staff.

- A. The state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the state actuary deems necessary.
- B. The number of permanent employees and the salary ranges for their positions shall be approved by the executive committee.
- C. The executive committee shall approve all personal service contracts in excess of \$5,000.00.
- D. All staff members shall report to and be subject to the direction of the state actuary, and be exempt from the provisions of the state civil service law, chapter 41.06 RCW. The state actuary shall advise the executive committee on personnel actions. Anyone terminated by the state actuary shall have the right of appeal to the executive committee.
- E. Grievance Procedure. An employee who is dissatisfied with a personnel action or employment conditions shall bring the matter to their supervisor. If they continue to be dissatisfied, the employee may appeal to the State Actuary. If the employee disagrees with the decision or action of the State Actuary, the employee may appeal to the chair or vice chair for action by the executive committee.

Adopted December 13, 2000, by the Joint Committee on Pension Policy:

Senator Karen Fraser, Chair

Representative Mark Doumit, Co-Vice-Chair

Representative Kathy Lambert, Co-Vice-Chair

Chapter 44.44 RCW

OFFICE OF STATE ACTUARY—JOINT COMMITTEE ON PENSION POLICY

Sections

- 44.44.010 Office of state actuary—Created—Qualifications.
- 44.44.015 Administration.
- 44.44.030 Personnel—Participation of American academy of actuaries.
- 44.44.040 Powers and duties—Actuarial fiscal notes.
- 44.44.050 Joint committee on pension policy—Membership, terms, leadership.
- 44.44.060 Joint committee on pension policy—Powers and duties.
- 44.44.900 Severability—1975-'76 2nd ex.s. c 105.

Department of retirement systems: Chapter 41.50 RCW.

RCW 44.44.010 Office of state actuary—Created—Qualifications. (1) There is hereby created an office within the legislative branch to be known as the office of the state actuary.

(2) The executive head of the office shall be the state actuary who shall be qualified by education and experience in the field of actuarial science. [1987 c 25 § 1; 1975-'76 2nd ex.s. c 105 § 19.]

RCW 44.44.015 Administration. The administration of the joint committee on pension policy is subject to RCW 44.04.260. [2001 c 259 § 10.]

RCW 44.44.030 Personnel—Participation of American academy of actuaries. (1) Subject to RCW 44.04.260, the state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the actuary deems necessary, whose salaries shall be fixed by the actuary and approved by the joint committee on pension policy, and who shall be exempt from the provisions of the state civil service law, chapter 41.06 RCW.

(2) All actuarial valuations and experience studies performed by the office of the state actuary shall be signed by a member of the American academy of actuaries. If the state actuary is not such a member, the state actuary, after approval by the committee, shall contract for a period not to exceed two years with a member of the American academy of actuaries to assist in developing actuarial valuations and experience studies. [2001 c 259 § 11; 1987 c 25 § 2; 1975-'76 2nd ex.s. c 105 § 21.]

RCW 44.44.040 Powers and duties—Actuarial fiscal notes. The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law. Reimbursement for such services shall be made to the state actuary pursuant to the provisions of RCW 39.34.130 as now or hereafter amended.

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.

(5) Provide such actuarial services to the legislature as may be requested from time to time.

(6) Provide staff and assistance to the committee established under *RCW 46.44.050. [1987 c 25 § 3; 1986 c 317 § 6; 1975-'76 2nd ex.s. c 105 § 22.]

*Reviser's note: The reference to RCW 46.44.050 is in error. RCW 44.44.050 was apparently intended.

Legislative findings—Intent—Severability—1986 c 317: See notes following RCW 41.40.150.

RCW 44.44.050 Joint committee on pension policy—Membership, terms, leadership. (1) There is hereby created a joint committee on pension policy. The committee shall consist of: (a) Eight members of the senate appointed by the president of the senate, four of whom shall be members of the majority party and four of whom shall be members of the minority party; and (b) eight members of the house of representatives appointed by the speaker, four of whom shall be members of the majority party and four of whom shall be members of the minority party. Members of the committee shall be appointed before the close of the 1987 legislative session and before the close of each regular session during an odd-numbered year thereafter.

(2) Each member's term of office shall run from the close of the session in which he or she was appointed until the close of the next regular session held in an odd-numbered year. If a successor is not appointed during a session, the member's term shall continue until the member is reappointed or a successor is appointed. The term of office for a committee member who does not continue as a member of the senate or house shall cease upon the convening of the

next session of the legislature during an odd-numbered year after the member's appointment, or upon the member's resignation, whichever is earlier. Vacancies on the committee shall be filled by appointment in the same manner as described in subsection (1) of this section. All such vacancies shall be filled from the same political party and from the same house as the member whose seat was vacated.

(3) The committee shall elect a chairperson and a vice-chairperson. The chairperson shall be a member of the senate in even-numbered years and a member of the house of representatives in odd-numbered years.

(4) The committee shall establish an executive committee of four members, including the chairperson and the vice-chairperson, representing the majority and minority caucuses of each house. [1987 c 25 § 4.]

RCW 44.44.060 Joint committee on pension policy—Powers and duties. The joint committee on pension policy shall have the following powers and duties:

(1) Study pension issues, develop pension policies for public employees in state retirement systems, and make recommendations to the legislature;

(2) Study the financial condition of the state pension systems, develop funding policies, and make recommendations to the legislature; and

(3) Appoint or remove the state actuary by a two-thirds vote of the committee. [1987 c 25 § 5.]

RCW 44.44.900 Severability—1975-'76 2nd ex.s. c 105. See note following RCW 41.04.270.



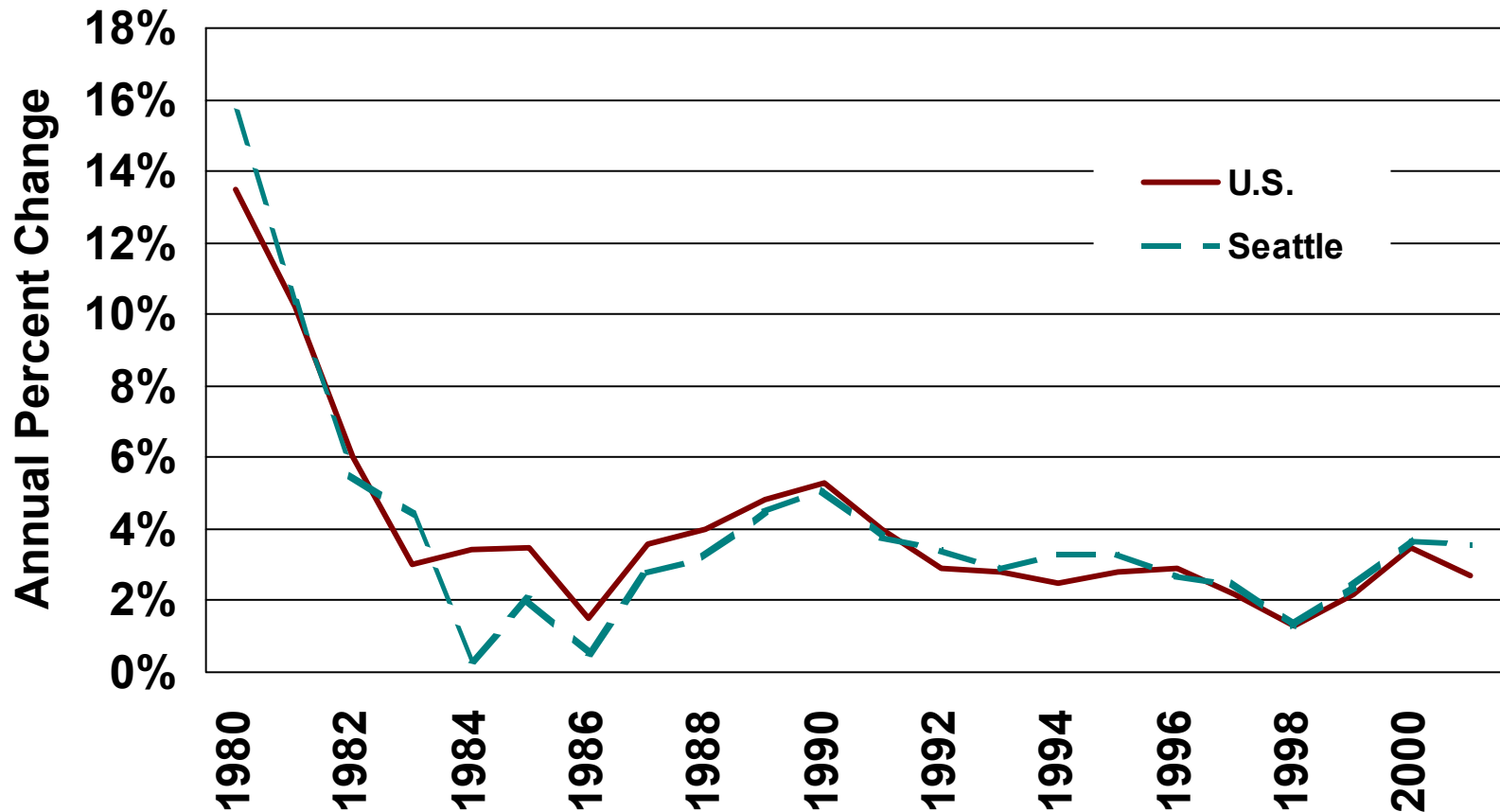
Plan 1 Retiree COLA's

Robert Wm. Baker

Joint Committee on Pension Policy
May 13, 2002

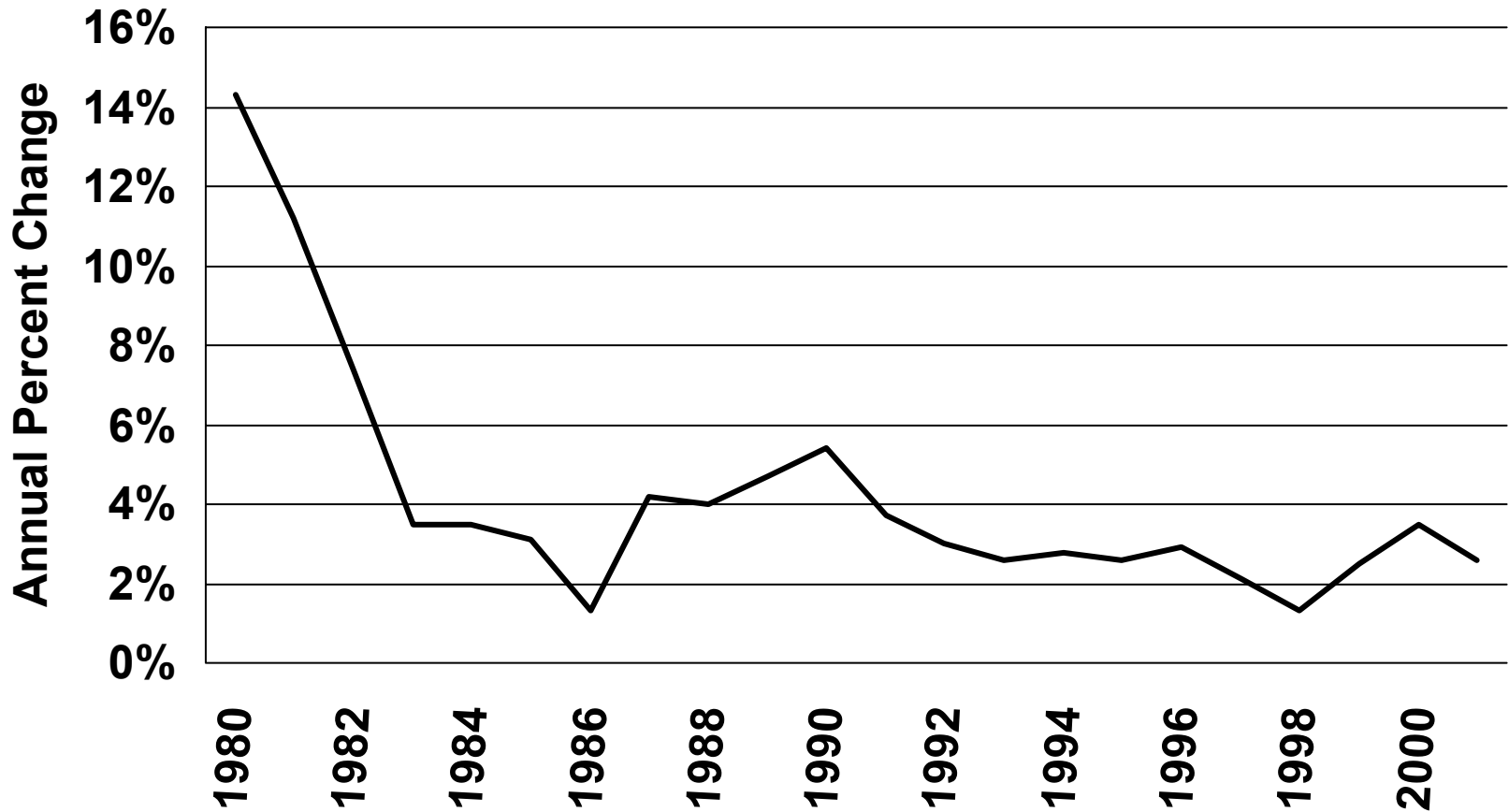
Consumer Price Indices

Urban Wage Earners and Clerical Workers



Social Security

Annual % Increases



Changes in Consumer Prices by Select Periods

Periods	United States		Seattle	
	Total	Annual	Total	Annual
1996-2001	12.6%	2.4%	13.0%	2.5%
1991-2001	29.2%	2.6%	31.8%	2.8%
1986-2001	59.8%	3.2%	59.2%	3.2%
1981-2001	89.8%	3.3%	80.4%	3.0%

PERS/TRS 1 COLA Benefits

Uniform Benefit: At age 66, after 1 yr of retirement, a dollar amount per month per year of service increased each year by 3%

LEOFF 1 COLA Benefits

Annual increases based on the Seattle CPI-W.

Plan 2 COLA Benefits

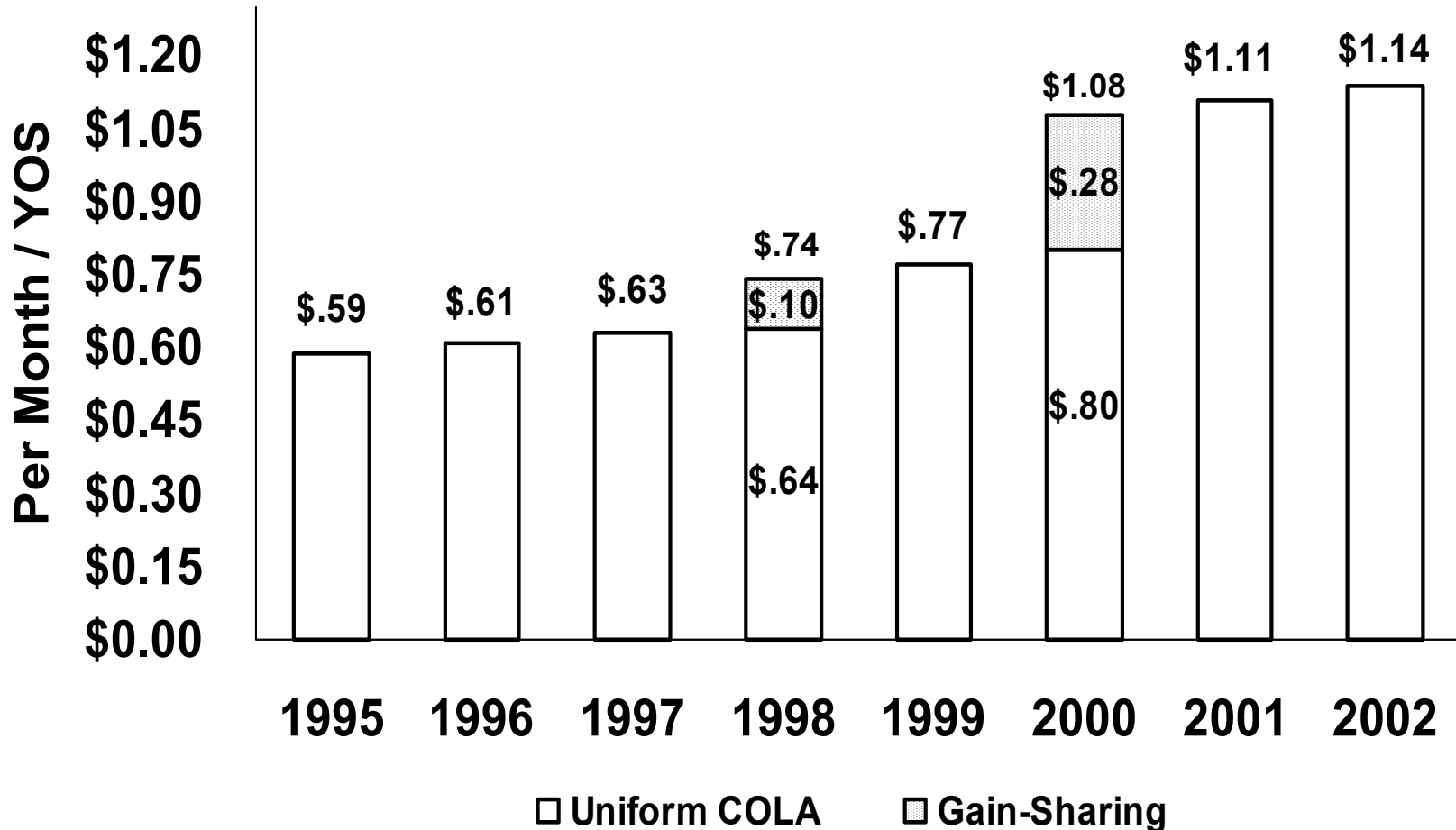
After 1 year of retirement, annual increases based on the Seattle CPI to a maximum of 3% per year

Plan 3 COLA Benefits

After 1 year of retirement, annual increases in the defined benefit portion based on the Seattle CPI to a maximum of 3% per year

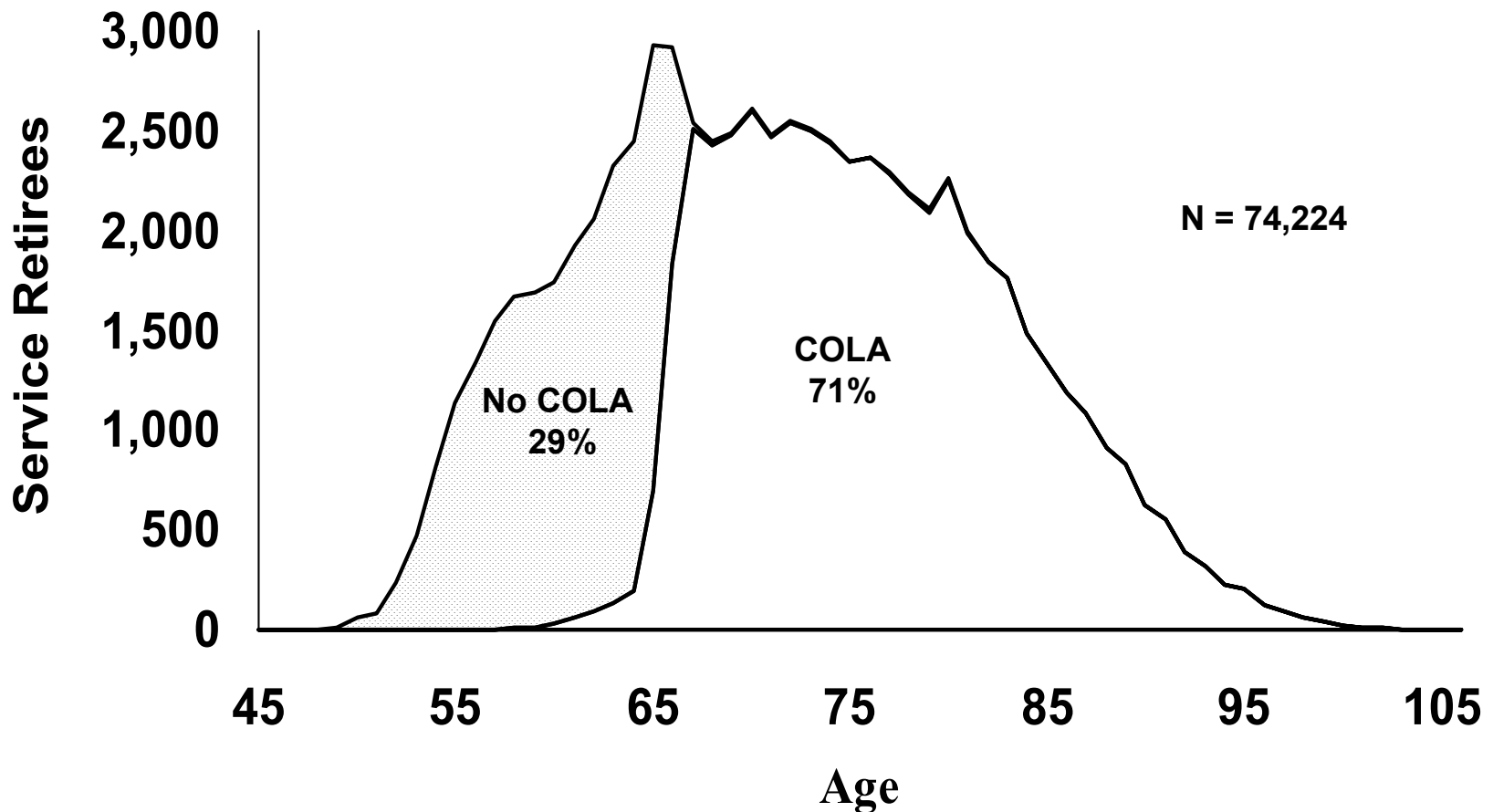
Uniform Increase Amount

PERS/TRS Plan 1



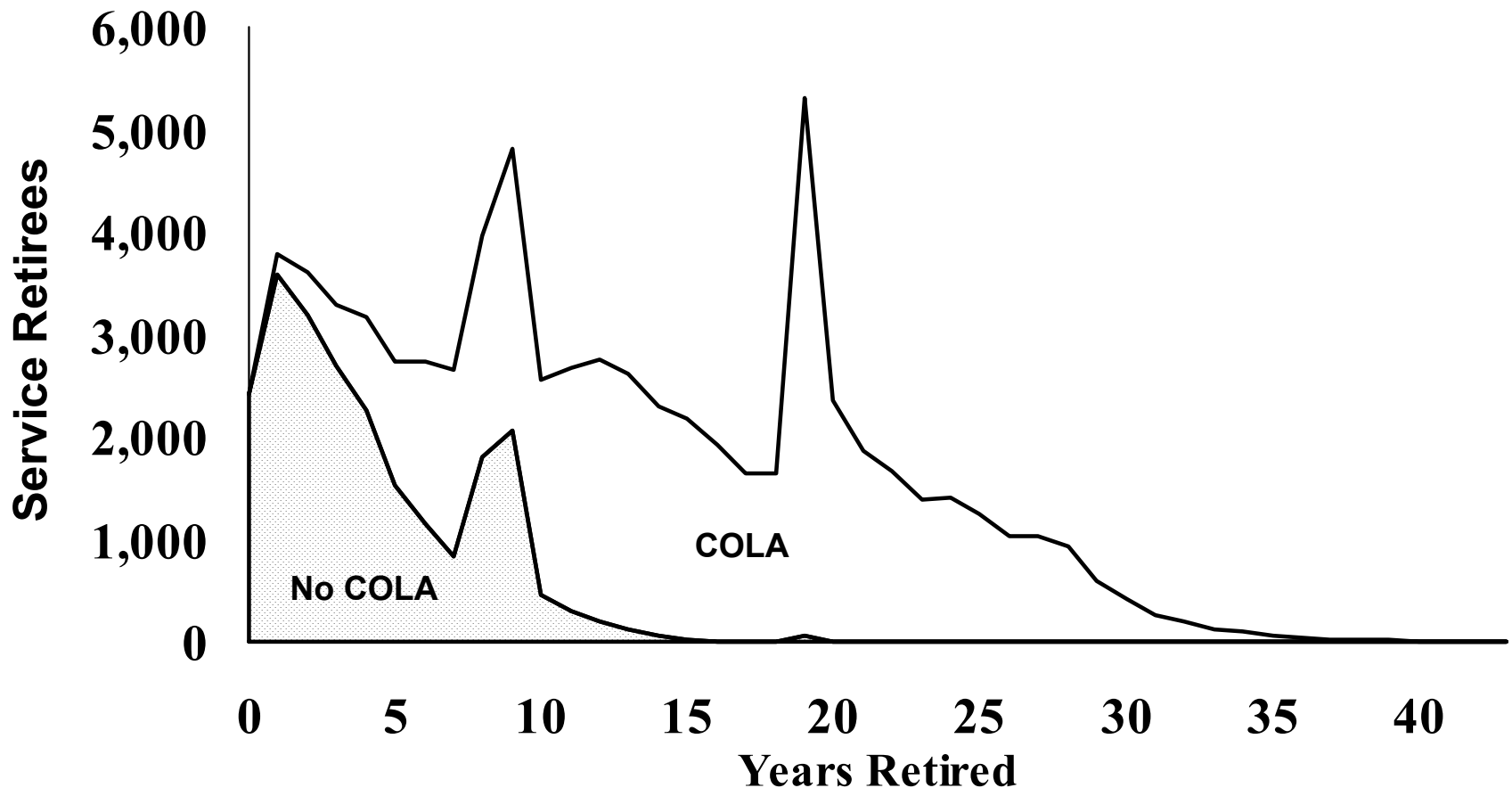
COLA Status by Age

PERS/TRS Plan 1



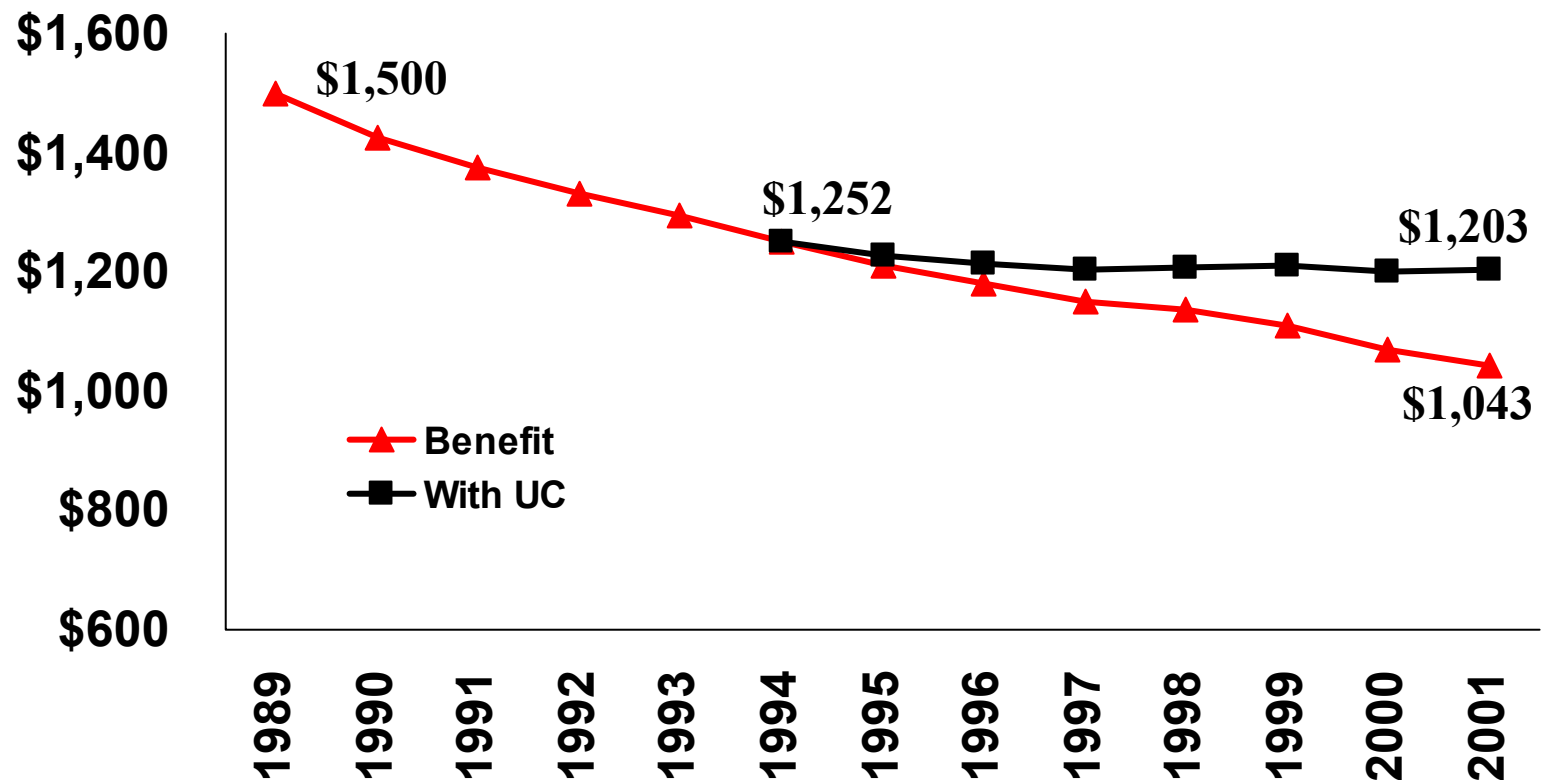
COLA Status by Years Retired

PERS/TRS Plan 1



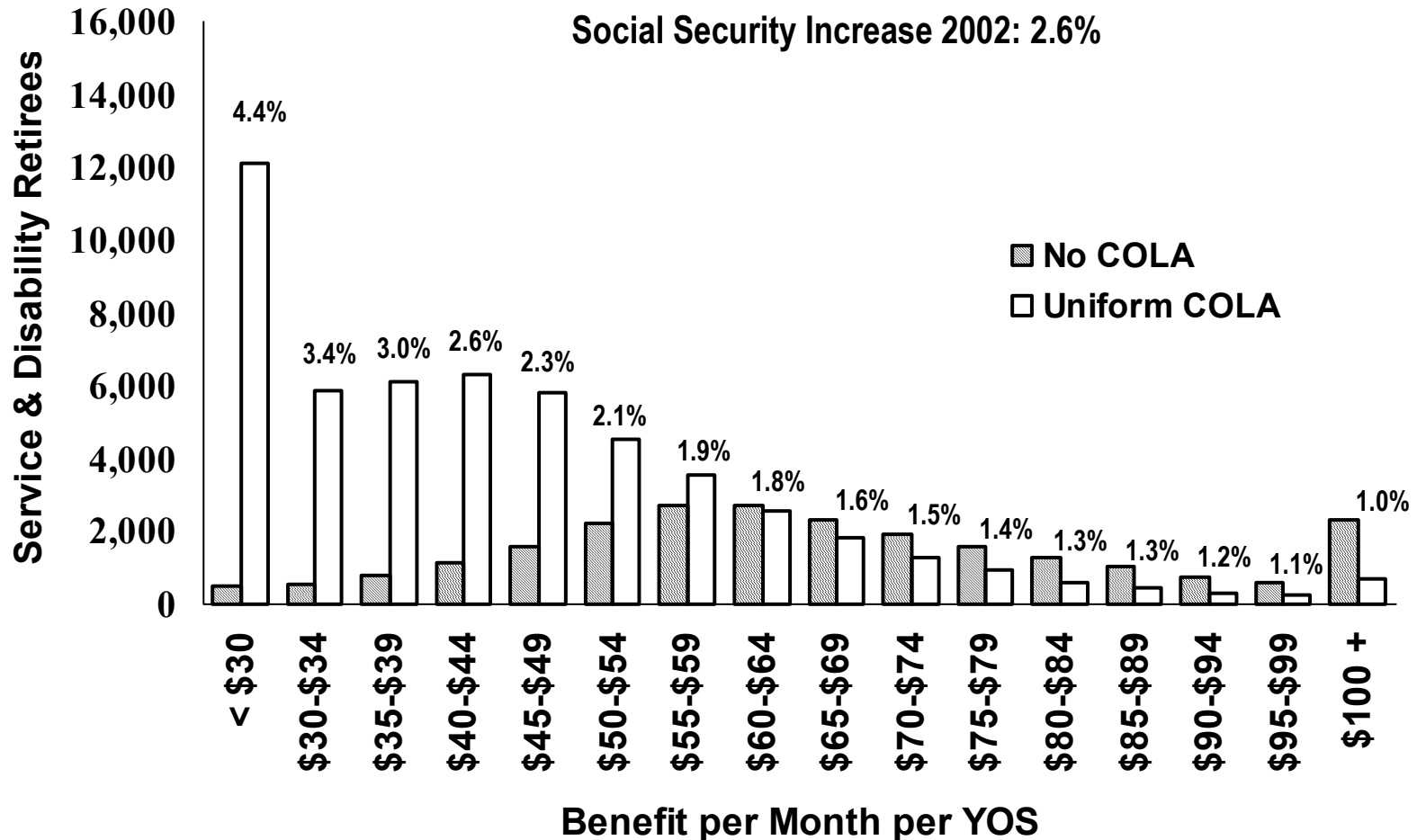
Plan 1 Benefit Purchasing Power

With and Without Uniform COLA



Uniform COLA % Increase

PERS/TRS 1 by Benefit per month per YOS -- 7/1/01

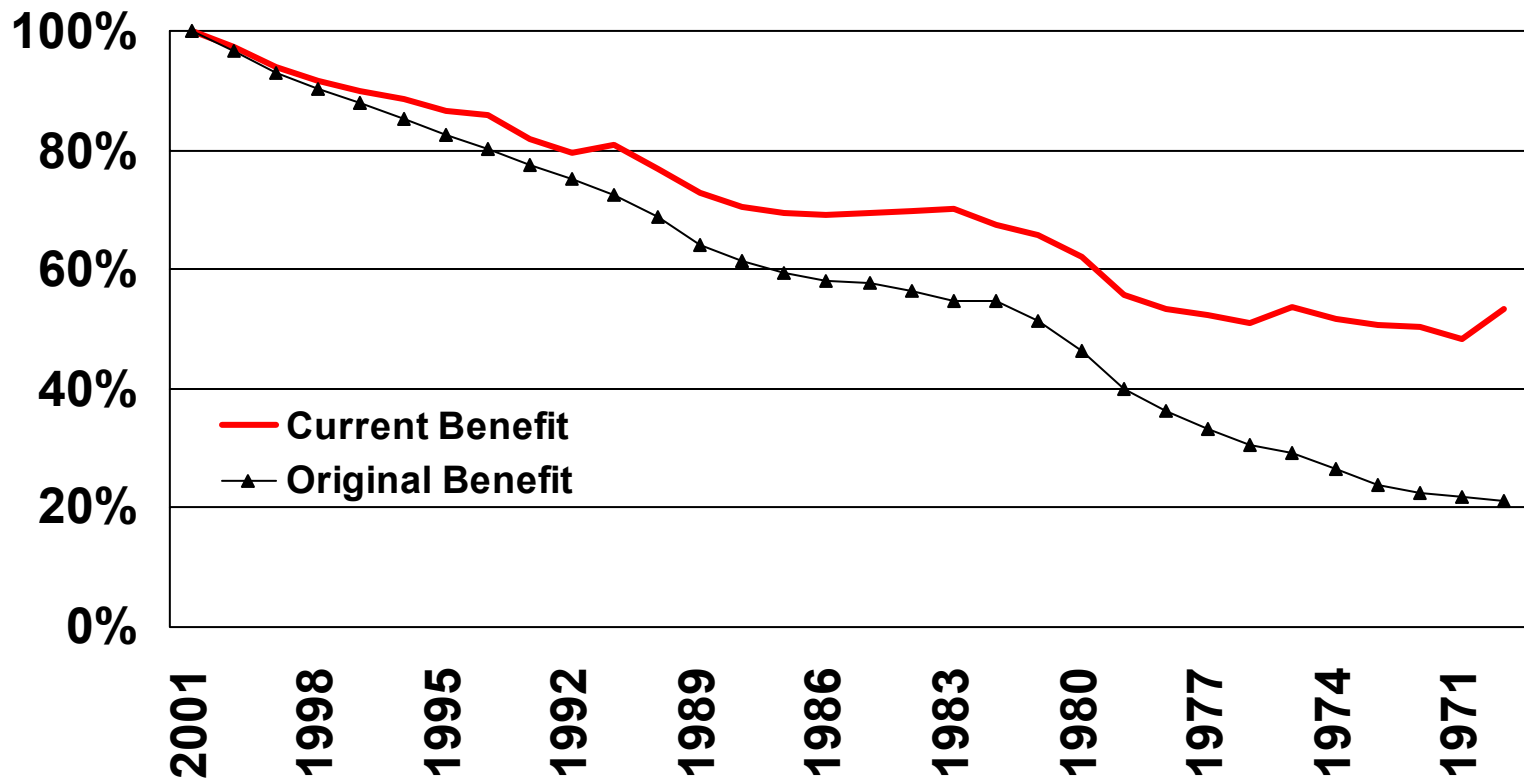


Incremental Cost of the Uniform and Minimum COLA

1995	\$8,017,053
1996	\$8,358,648
1997	\$8,996,737
1998	\$9,222,350
1999	\$11,208,033
2000	\$16,056,882
2001	\$16,761,587

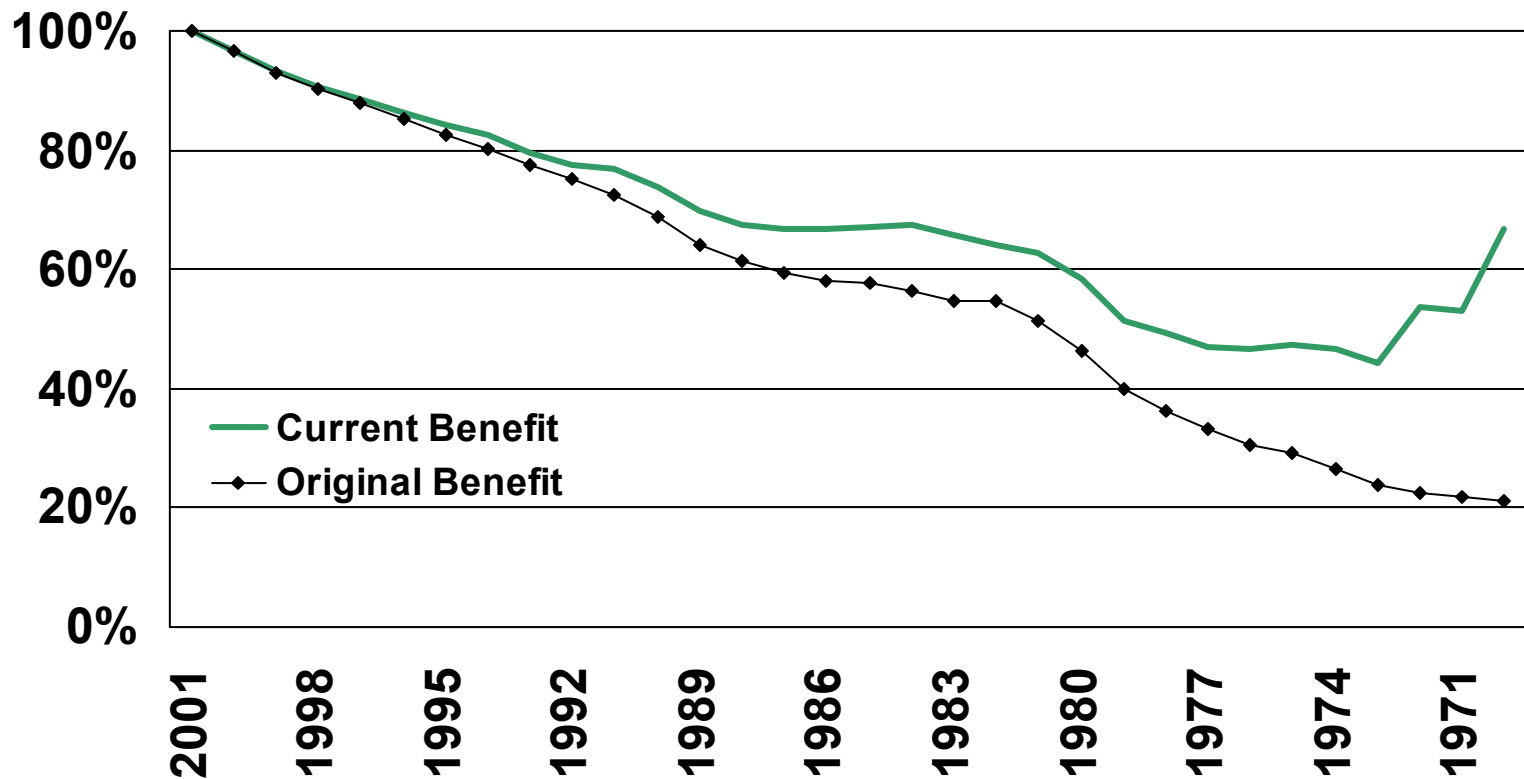
% of Original Purchasing Power

PERS 1 Service Retirees



% of Original Purchasing Power

TRS 1 Service Retirees



COLA Policy

PERS/TRS 1

- No COLA
- Periodic adjustments
- Annual Uniform Increases from age 66

Plan 2

- Retirement at age 65 as the price for receiving a 3% COLA

Governance

Comparison of SHB 3010 and Proposed Striking Amendment

	SHB 3010	Amendment S4910.1
Creates	Select Committee on Pension Policy	Select Committee on Pension Policy
Repeals	Joint Committee on Pension Policy	Joint Committee on Pension Policy
Staff	Office of the State Actuary	Office of the State Actuary
Members	<u>16 Members</u> <ul style="list-style-type: none"> - 4 Senate members - 4 House members - 4 Active representatives - 2 Retiree representatives - 2 Employer representatives 	<u>18 Members</u> <ul style="list-style-type: none"> - 4 Senate members - 4 House members - 4 Active representatives - 2 Retiree representatives - 4 Employer representatives - Directors of OFM and DRS <p>Note: At least 3 of the 4 members from each chamber of the legislature shall be from Appropriations and Ways and Means Committees.</p>
Duties	<ul style="list-style-type: none"> - Study pension issues - Develop pension policies - Study financial conditions of state pension systems - Develop funding policies - Make recommendations to the legislature 	<ul style="list-style-type: none"> - Study pension issues - Develop pension policies - Study financial conditions of state pension systems - Develop funding policies - Make recommendations to the legislature
Other	<ul style="list-style-type: none"> - Places OSA under the Pension Funding Council. - PFC may appoint or remove the State Actuary 	<ul style="list-style-type: none"> - Places OSA under the Pension Funding Council. - PFC may appoint or remove the State Actuary

SUBSTITUTE HOUSE BILL 3010

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Fromhold, McIntire, Conway, Cooper, Hunt and Sullivan)

Read first time 03/04/2002. Referred to Committee on .

1 AN ACT Relating to creating the select committee on pension policy;
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.100, 44.04.260, and
3 44.44.030; reenacting and amending RCW 41.32.570; adding new sections
4 to chapter 41.04 RCW; decodifying RCW 41.54.061; and repealing RCW
5 44.44.015, 44.44.050, and 44.44.060.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate ways and means committee appointed
12 by the president of the senate, two of whom are members of the majority
13 party and two of whom are members of the minority party;

14 (b) Four members of the house of representatives appropriations
15 committee appointed by the speaker, two of whom are members of the
16 majority party and two of whom are members of the minority party;

17 (c) Four active members or representatives from organizations of
18 active members of the state retirement systems appointed by the
19 governor for staggered three-year terms;

(d) Two retired members or representatives of retired members' organizations of the state retirement systems appointed by the governor for staggered three-year terms, with no two members from the same system; and

(e) Two employer representatives of members of the state retirement systems appointed by the governor for staggered three-year terms.

(2)(a) The term of office of each member of the house of representatives or senate serving on the committee runs from the close of the session in which he or she is appointed until the close of the next regular session held in an odd-numbered year. If a successor is not appointed during a session, the member's term continues until the member is reappointed or a successor is appointed. The term of office for a committee member who is a member of the house of representatives or the senate who does not continue as a member of the senate or house of representatives ceases upon the convening of the next session of the legislature during the odd-numbered year following the member's appointment, or upon the member's resignation, whichever is earlier. All vacancies of positions held by members of the legislature must be filled from the same political party and from the same house as the member whose seat was vacated.

(b) Following the terms of members and representatives appointed under subsection (1)(d) of this section, the retiree positions shall be rotated to ensure that each system has an opportunity to have a retiree representative on the committee.

(3) The committee shall elect a chairperson and a vice-chairperson.

(4) The committee shall establish an executive committee of four members, including the chairperson and the vice-chairperson.

(5) Nonlegislative members of the select committee serve without compensation, but shall be reimbursed for travel expenses under RCW 43.03.050 and 43.03.060.

(6) The office of state actuary under chapter 44.44 RCW shall provide staff and technical support to the committee.

Sec. 2. RCW 41.50.110 and 1998 c 341 s 508 are each amended to read as follows:

(1) Except as provided by RCW 41.50.255 and subsection (6) of this section, all expenses of the administration of the department ~~((and)),~~ the expenses of administration of the retirement systems, and the expenses of the administration of the office of the state actuary

1 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
2 (~~and~~) 43.43, and 44.44 RCW shall be paid from the department of
3 retirement systems expense fund.

4 (2) In order to reimburse the department of retirement systems
5 expense fund on an equitable basis the department shall ascertain and
6 report to each employer, as defined in RCW 41.26.030, 41.32.010,
7 41.35.010, or 41.40.010, the sum necessary to defray its proportional
8 share of the entire expense of the administration of the retirement
9 system that the employer participates in during the ensuing biennium or
10 fiscal year whichever may be required. Such sum is to be computed in
11 an amount directly proportional to the estimated entire expense of the
12 administration as the ratio of monthly salaries of the employer's
13 members bears to the total salaries of all members in the entire
14 system. It shall then be the duty of all such employers to include in
15 their budgets or otherwise provide the amounts so required.

16 (3) The department shall compute and bill each employer, as defined
17 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
18 each month for the amount due for that month to the department of
19 retirement systems expense fund and the same shall be paid as are its
20 other obligations. Such computation as to each employer shall be made
21 on a percentage rate of salary established by the department. However,
22 the department may at its discretion establish a system of billing
23 based upon calendar year quarters in which event the said billing shall
24 be at the end of each such quarter.

25 (4) The director may adjust the expense fund contribution rate for
26 each system at any time when necessary to reflect unanticipated costs
27 or savings in administering the department.

28 (5) An employer who fails to submit timely and accurate reports to
29 the department may be assessed an additional fee related to the
30 increased costs incurred by the department in processing the deficient
31 reports. Fees paid under this subsection shall be deposited in the
32 retirement system expense fund.

33 (a) Every six months the department shall determine the amount of
34 an employer's fee by reviewing the timeliness and accuracy of the
35 reports submitted by the employer in the preceding six months. If
36 those reports were not both timely and accurate the department may
37 prospectively assess an additional fee under this subsection.

38 (b) An additional fee assessed by the department under this
39 subsection shall not exceed fifty percent of the standard fee.

(c) The department shall adopt rules implementing this section.

(6) Expenses other than those under RCW 41.34.060 ~~((+2))~~ (3) shall be paid pursuant to subsection (1) of this section.

Sec. 3. RCW 44.44.040 and 1987 c 25 s 3 are each amended to read as follows:

The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law. ~~((Reimbursement for such services shall be made to the state actuary pursuant to the provisions of RCW 39.34.130 as now or hereafter amended.))~~

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.

(5) Provide such actuarial services to the legislature as may be requested from time to time.

(6) Provide staff and assistance to the committee established under RCW ~~((46.44.050))~~ 44.44.050.

NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW to read as follows:

1 The select committee on pension policy has the following powers and
2 duties:

3 (1) Study pension issues, develop pension policies for public
4 employees in state retirement systems, and make recommendations to the
5 legislature; and

6 (2) Study the financial condition of the state pension systems,
7 develop funding policies, and make recommendations to the legislature.

8 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
9 s 1 are each reenacted and amended to read as follows:

10 (1)(a) If a retiree enters employment with an employer sooner than
11 one calendar month after his or her accrual date, the retiree's monthly
12 retirement allowance will be reduced by five and one-half percent for
13 every seven hours worked during that month. This reduction will be
14 applied each month until the retiree remains absent from employment
15 with an employer for one full calendar month.

16 (b) The benefit reduction provided in (a) of this subsection will
17 accrue for a maximum of one hundred forty hours per month. Any monthly
18 benefit reduction over one hundred percent will be applied to the
19 benefit the retiree is eligible to receive in subsequent months.

20 (2) Any retired teacher or retired administrator who enters service
21 in any public educational institution in Washington state and who has
22 satisfied the break in employment requirement of subsection (1) of this
23 section shall cease to receive pension payments while engaged in such
24 service, after the retiree has rendered service for more than one
25 thousand five hundred hours in a school year. When a retired teacher
26 or administrator renders service beyond eight hundred sixty-seven
27 hours, the department shall collect from the employer the applicable
28 employer retirement contributions for the entire duration of the
29 member's employment during that fiscal year.

30 (3) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (4) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five hundred twenty-five hours per
36 year without a reduction of his or her pension.

1 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
2 to read as follows:

3 (1)(a) If a retiree enters employment with an employer sooner than
4 one calendar month after his or her accrual date, the retiree's monthly
5 retirement allowance will be reduced by five and one-half percent for
6 every eight hours worked during that month. This reduction will be
7 applied each month until the retiree remains absent from employment
8 with an employer for one full calendar month.

9 (b) The benefit reduction provided in (a) of this subsection will
10 accrue for a maximum of one hundred sixty hours per month. Any benefit
11 reduction over one hundred percent will be applied to the benefit the
12 retiree is eligible to receive in subsequent months.

13 (2)(a) A retiree from plan 1 who has satisfied the break in
14 employment requirement of subsection (1) of this section and who enters
15 employment with an employer may continue to receive pension payments
16 while engaged in such service for up to one thousand five hundred hours
17 of service in a calendar year without a reduction of pension. When a
18 plan 1 member renders service beyond eight hundred sixty-seven hours,
19 the department shall collect from the employer the applicable employer
20 retirement contributions for the entire duration of the member's
21 employment during that calendar year.

22 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
23 employment requirement of subsection (1) of this section may work up to
24 eight hundred sixty-seven hours in a calendar year in an eligible
25 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
26 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
27 without suspension of his or her benefit.

28 (3) If the retiree opts to reestablish membership under RCW
29 41.40.023(12), he or she terminates his or her retirement status and
30 becomes a member. Retirement benefits shall not accrue during the
31 period of membership and the individual shall make contributions and
32 receive membership credit. Such a member shall have the right to again
33 retire if eligible in accordance with RCW 41.40.180. However, if the
34 right to retire is exercised to become effective before the member has
35 rendered two uninterrupted years of service, the retirement formula and
36 survivor options the member had at the time of the member's previous
37 retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the ((joint)) select committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

Sec. 7. RCW 41.45.100 and 1998 c 283 s 2 are each amended to read as follows:

(1) The pension funding council is hereby created. The council consists of the:

- (a) Director of the department of retirement systems;
- (b) Director of the office of financial management;
- (c) Chair and ranking minority member of the house of representatives appropriations committee; and
- (d) Chair and ranking minority member of the senate ways and means committee.

The council may select officers as the members deem necessary.

(2) The pension funding council shall adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members.

(3) The council may appoint or remove the state actuary by a two-thirds vote of the council.

NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

Sec. 9. RCW 44.04.260 and 2001 c 259 s 1 are each amended to read as follows:

The joint legislative audit and review committee, the legislative transportation committee, the ((joint)) select committee on pension policy, the legislative evaluation and accountability program committee, and the joint legislative systems committee are subject to such operational policies, procedures, and oversight as are deemed necessary by the facilities and operations committee of the senate and the executive rules committee of the house of representatives to ensure operational adequacy of the agencies of the legislative branch. As used in this section, "operational policies, procedures, and oversight" includes the development process of biennial budgets, contracting

1 procedures, personnel policies, and compensation plans, selection of a
2 chief administrator, facilities, and expenditures. This section does
3 not grant oversight authority to the facilities and operations
4 committee of the senate over any standing committee of the house of
5 representatives or oversight authority to the executive rules committee
6 of the house of representatives over any standing committee of the
7 senate.

8 **Sec. 10.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
9 read as follows:

10 (1) Subject to RCW 44.04.260, the state actuary shall have the
11 authority to select and employ such research, technical, clerical
12 personnel, and consultants as the actuary deems necessary, whose
13 salaries shall be fixed by the actuary and approved by the (~~joint~~
14 ~~committee on pension policy~~) pension funding council, and who shall be
15 exempt from the provisions of the state civil service law, chapter
16 41.06 RCW.

17 (2) All actuarial valuations and experience studies performed by
18 the office of the state actuary shall be signed by a member of the
19 American academy of actuaries. If the state actuary is not such a
20 member, the state actuary, after approval by the (~~committee~~) council,
21 shall contract for a period not to exceed two years with a member of
22 the American academy of actuaries to assist in developing actuarial
23 valuations and experience studies.

24 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
25 each repealed:

- 26 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
27 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
28 terms, leadership) and 1987 c 25 s 4; and
29 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
30 duties) and 1987 c 25 s 5.

--- END ---

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: S-4910.1/02

ATTY/TYPIST: LL:seg

BRIEF DESCRIPTION:

2 **SHB 3010** - S AMD
3 By Senator Winsley

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate appointed by the president of the
12 senate, two of whom are members of the majority party and two of whom
13 are members of the minority party. At least three of the appointees
14 shall be members of the senate ways and means committee;

15 (b) Four members of the house of representatives appointed by the
16 speaker, two of whom are members of the majority party and two of whom
17 are members of the minority party. At least three of the appointees
18 shall be members of the house of representatives appropriations
19 committee;

20 (c) Four active members or representatives from organizations of
21 active members of the state retirement systems appointed by the
22 governor for staggered three-year terms;

23 (d) Two retired members or representatives of retired members'
24 organizations of the state retirement systems appointed by the governor
25 for staggered three-year terms, with no two members from the same
26 system;

27 (e) Four employer representatives of members of the state
28 retirement systems appointed by the governor for staggered three-year
29 terms; and

30 (f) The director of the office of financial management and the
31 director of the department of retirement systems.

32 (2)(a) The term of office of each member of the house of
33 representatives or senate serving on the committee runs from the close
34 of the session in which he or she is appointed until the close of the
35 next regular session held in an odd-numbered year. If a successor is
36 not appointed during a session, the member's term continues until the

1 member is reappointed or a successor is appointed. The term of office
2 for a committee member who is a member of the house of representatives
3 or the senate who does not continue as a member of the senate or house
4 of representatives ceases upon the convening of the next session of the
5 legislature during the odd-numbered year following the member's
6 appointment, or upon the member's resignation, whichever is earlier.
7 All vacancies of positions held by members of the legislature must be
8 filled from the same political party and from the same house as the
9 member whose seat was vacated.

10 (b) Following the terms of members and representatives appointed
11 under subsection (1)(d) of this section, the retiree positions shall be
12 rotated to ensure that each system has an opportunity to have a retiree
13 representative on the committee.

14 (3) The committee shall elect a chairperson and a vice-chairperson.
15 The chairperson shall be a member of the senate in even-numbered years
16 and a member of the house of representatives in odd-numbered years.

17 (4) The committee shall establish an executive committee of four
18 members, including the chairperson and the vice-chairperson.

19 (5) Nonlegislative members of the select committee serve without
20 compensation, but shall be reimbursed for travel expenses under RCW
21 43.03.050 and 43.03.060.

22 (6) The office of state actuary under chapter 44.44 RCW shall
23 provide staff and technical support to the committee.

24 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
25 read as follows:

26 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
27 section, all expenses of the administration of the department (~~((and))~~),
28 the expenses of administration of the retirement systems, and the
29 expenses of the administration of the office of the state actuary
30 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
31 (~~((and))~~) 43.43, and 44.44 RCW shall be paid from the department of
32 retirement systems expense fund.

33 (2) In order to reimburse the department of retirement systems
34 expense fund on an equitable basis the department shall ascertain and
35 report to each employer, as defined in RCW 41.26.030, 41.32.010,
36 41.35.010, or 41.40.010, the sum necessary to defray its proportional
37 share of the entire expense of the administration of the retirement
38 system that the employer participates in during the ensuing biennium or

1 fiscal year whichever may be required. Such sum is to be computed in
2 an amount directly proportional to the estimated entire expense of the
3 administration as the ratio of monthly salaries of the employer's
4 members bears to the total salaries of all members in the entire
5 system. It shall then be the duty of all such employers to include in
6 their budgets or otherwise provide the amounts so required.

7 (3) The department shall compute and bill each employer, as defined
8 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
9 each month for the amount due for that month to the department of
10 retirement systems expense fund and the same shall be paid as are its
11 other obligations. Such computation as to each employer shall be made
12 on a percentage rate of salary established by the department. However,
13 the department may at its discretion establish a system of billing
14 based upon calendar year quarters in which event the said billing shall
15 be at the end of each such quarter.

16 (4) The director may adjust the expense fund contribution rate for
17 each system at any time when necessary to reflect unanticipated costs
18 or savings in administering the department.

19 (5) An employer who fails to submit timely and accurate reports to
20 the department may be assessed an additional fee related to the
21 increased costs incurred by the department in processing the deficient
22 reports. Fees paid under this subsection shall be deposited in the
23 retirement system expense fund.

24 (a) Every six months the department shall determine the amount of
25 an employer's fee by reviewing the timeliness and accuracy of the
26 reports submitted by the employer in the preceding six months. If
27 those reports were not both timely and accurate the department may
28 prospectively assess an additional fee under this subsection.

29 (b) An additional fee assessed by the department under this
30 subsection shall not exceed fifty percent of the standard fee.

31 (c) The department shall adopt rules implementing this section.

32 (6) Expenses other than those under RCW 41.34.060(~~(+2)~~) (3) shall
33 be paid pursuant to subsection (1) of this section.

34 **Sec. 3.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
35 as follows:

36 The office of the state actuary shall have the following powers and
37 duties:

1 (1) Perform all actuarial services for the department of retirement
2 systems, including all studies required by law. (~~Reimbursement for~~
3 ~~such services shall be made to the state actuary pursuant to the~~
4 ~~provisions of RCW 39.34.130 as now or hereafter amended.~~))

5 (2) Advise the legislature and the governor regarding pension
6 benefit provisions, and funding policies and investment policies of the
7 state investment board.

8 (3) Consult with the legislature and the governor concerning
9 determination of actuarial assumptions used by the department of
10 retirement systems.

11 (4) Prepare a report, to be known as the actuarial fiscal note, on
12 each pension bill introduced in the legislature which briefly explains
13 the financial impact of the bill. The actuarial fiscal note shall
14 include: (a) The statutorily required contribution for the biennium
15 and the following twenty-five years; (b) the biennial cost of the
16 increased benefits if these exceed the required contribution; and (c)
17 any change in the present value of the unfunded accrued benefits. An
18 actuarial fiscal note shall also be prepared for all amendments which
19 are offered in committee or on the floor of the house of
20 representatives or the senate to any pension bill. However, a majority
21 of the members present may suspend the requirement for an actuarial
22 fiscal note for amendments offered on the floor of the house of
23 representatives or the senate.

24 (5) Provide such actuarial services to the legislature as may be
25 requested from time to time.

26 (6) Provide staff and assistance to the committee established under
27 RCW (~~46.44.050~~) 44.44.050.

28 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
29 to read as follows:

30 The select committee on pension policy has the following powers and
31 duties:

32 (1) Study pension issues, develop pension policies for public
33 employees in state retirement systems, and make recommendations to the
34 legislature; and

35 (2) Study the financial condition of the state pension systems,
36 develop funding policies, and make recommendations to the legislature.

Sec. 5. RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317 s 1 are each reenacted and amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any monthly benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state and who has satisfied the break in employment requirement of subsection (1) of this section shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than one thousand five hundred hours in a school year. When a retired teacher or administrator renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that fiscal year.

(3) The department shall collect and provide the state actuary with information relevant to the use of this section for the ((joint)) select committee on pension policy.

(4) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five hundred twenty-five hours per year without a reduction of his or her pension.

Sec. 6. RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

1 (b) The benefit reduction provided in (a) of this subsection will
2 accrue for a maximum of one hundred sixty hours per month. Any benefit
3 reduction over one hundred percent will be applied to the benefit the
4 retiree is eligible to receive in subsequent months.

5 (2)(a) A retiree from plan 1 who has satisfied the break in
6 employment requirement of subsection (1) of this section and who enters
7 employment with an employer may continue to receive pension payments
8 while engaged in such service for up to one thousand five hundred hours
9 of service in a calendar year without a reduction of pension. When a
10 plan 1 member renders service beyond eight hundred sixty-seven hours,
11 the department shall collect from the employer the applicable employer
12 retirement contributions for the entire duration of the member's
13 employment during that calendar year.

14 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
15 employment requirement of subsection (1) of this section may work up to
16 eight hundred sixty-seven hours in a calendar year in an eligible
17 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
18 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
19 without suspension of his or her benefit.

20 (3) If the retiree opts to reestablish membership under RCW
21 41.40.023(12), he or she terminates his or her retirement status and
22 becomes a member. Retirement benefits shall not accrue during the
23 period of membership and the individual shall make contributions and
24 receive membership credit. Such a member shall have the right to again
25 retire if eligible in accordance with RCW 41.40.180. However, if the
26 right to retire is exercised to become effective before the member has
27 rendered two uninterrupted years of service, the retirement formula and
28 survivor options the member had at the time of the member's previous
29 retirement shall be reinstated.

30 (4) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (5) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five months in a calendar year
36 without a reduction of his or her pension.

37 **Sec. 7.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read
38 as follows:

(1) The pension funding council is hereby created. The council consists of the:

- (a) Director of the department of retirement systems;
- (b) Director of the office of financial management;
- (c) Chair and ranking minority member of the house of representatives appropriations committee; and
- (d) Chair and ranking minority member of the senate ways and means committee.

The council may select officers as the members deem necessary.

(2) The pension funding council shall adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members.

(3) The council may appoint or remove the state actuary by a two-thirds vote of the council.

NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

Sec. 9. RCW 44.04.260 and 2001 c 259 s 1 are each amended to read as follows:

The joint legislative audit and review committee, the legislative transportation committee, the ((joint)) select committee on pension policy, the legislative evaluation and accountability program committee, and the joint legislative systems committee are subject to such operational policies, procedures, and oversight as are deemed necessary by the facilities and operations committee of the senate and the executive rules committee of the house of representatives to ensure operational adequacy of the agencies of the legislative branch. As used in this section, "operational policies, procedures, and oversight" includes the development process of biennial budgets, contracting procedures, personnel policies, and compensation plans, selection of a chief administrator, facilities, and expenditures. This section does not grant oversight authority to the facilities and operations committee of the senate over any standing committee of the house of representatives or oversight authority to the executive rules committee of the house of representatives over any standing committee of the senate.

Sec. 10. RCW 44.44.030 and 2001 c 259 s 11 are each amended to read as follows:

1 (1) Subject to RCW 44.04.260, the state actuary shall have the
2 authority to select and employ such research, technical, clerical
3 personnel, and consultants as the actuary deems necessary, whose
4 salaries shall be fixed by the actuary and approved by the (~~joint~~
5 ~~committee on pension policy~~) pension funding council, and who shall be
6 exempt from the provisions of the state civil service law, chapter
7 41.06 RCW.

8 (2) All actuarial valuations and experience studies performed by
9 the office of the state actuary shall be signed by a member of the
10 American academy of actuaries. If the state actuary is not such a
11 member, the state actuary, after approval by the (~~committee~~) council,
12 shall contract for a period not to exceed two years with a member of
13 the American academy of actuaries to assist in developing actuarial
14 valuations and experience studies.

15 NEW SECTION. Sec. 11. The following acts or parts of acts are
16 each repealed:

- 17 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
18 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
19 terms, leadership) and 1987 c 25 s 4; and
20 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
21 duties) and 1987 c 25 s 5."

22 SHB 3010 - S AMD
23 By Senator

24
25 On page 1, line 1 of the title, after "policy;" strike the
26 remainder of the title and insert "amending RCW 41.50.110, 44.44.040,
27 41.40.037, 41.45.100, 44.04.260, and 44.44.030; reenacting and amending
28 RCW 41.32.570; adding new sections to chapter 41.04 RCW; decodifying
29 RCW 41.54.061; and repealing RCW 44.44.015, 44.44.050, and 44.44.060."

--- END ---



Actuarial Presentation

Joint Committee on Pension
Policy
May 13, 2002

Elements of Actuarial Valuation

2001 Valuation

- Current Plan Provisions (Statutory)
- Funding Method (Statutory)
- Asset Smoothing Method (PFC)
- Demographic Assumptions (6-year Exp. Study)
- Economic Assumptions (PFC)
- Assets (SIB, DRS & Treasury)
- Employee Data (DRS)

Life Expectancy

Mortality Table				
UP 94			RP 2000	
Age	Old Assumptions		New Assumptions	
	Male	Female	Male	Female
30	49	53	49	52
40	39	43	39	42
50	30	34	30	33
60	21	25	21	24
70	14	17	14	16
80	8	10	8	10
90	4	5	4	5

Age Adjustments

System	Mortality Table			
	UP 94		RP 2000	
	Old Assumptions		New Assumptions	
	Male	Female	Male	Female
PERS	0	0	0	0
TRS	-3	-1	-2	-2
SERS	0	0	0	-2
LEOFF	1	1	0	0
WSP	1	1	0	0

Mortality Experience

Post-Retirement – PERS, TRS, SERS, LEOFF and WSP

Age	Actual	Old Assumptions	
		Expected	Ratio
-54	28	32	
55-59	147	148	
60-64	433	485	
65-69	1,140	1,331	
70-74	1,841	2,039	
75-79	2,590	2,781	
80-84	3,134	3,156	
85-89	2,981	2,792	
90-94	1,957	1,759	
95-99	718	585	
100+	124	105	
Total	15,093	15,212	99%

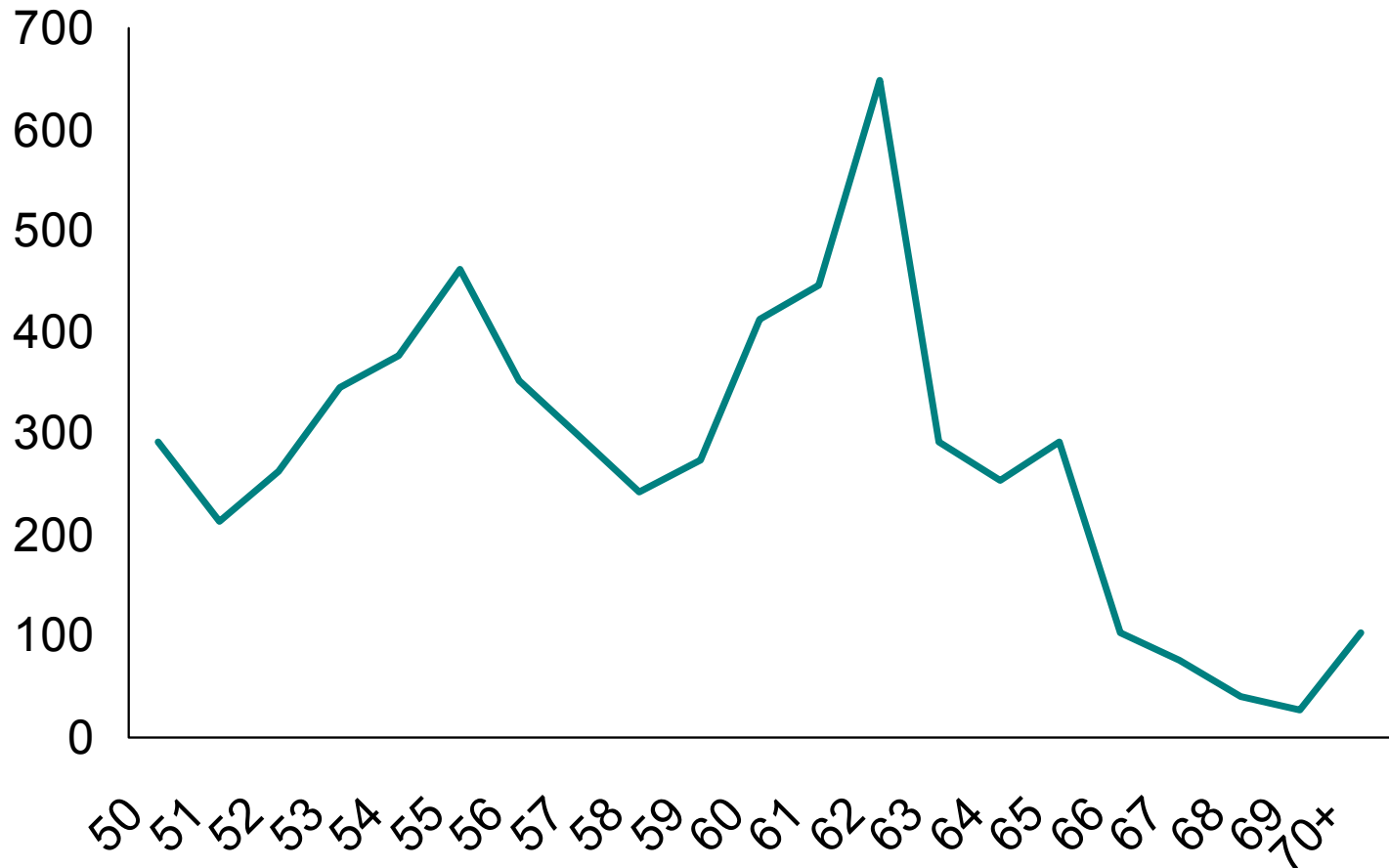
Plan 1 Retirement Experience

PERS – 1995-2000

Age	Actual	Old Assumptions	
		Expected	Ratio
-50	291	147	
51	213	226	.
52	262	245	
53	345	324	
54	376	340	
55	463	639	
56	353	406	
57	297	357	
58	243	298	
59	274	441	
60	412	441	
61	446	521	
62	649	739	
63	292	332	
64	253	311	
65	292	323	
66	104	110	
67	76	73	
68	41	52	
69	26	39	
Total	5,708	6,364	90%
70+	103		
	5,811		

Plan 1 Retirement Experience

PERS – 1995-2000



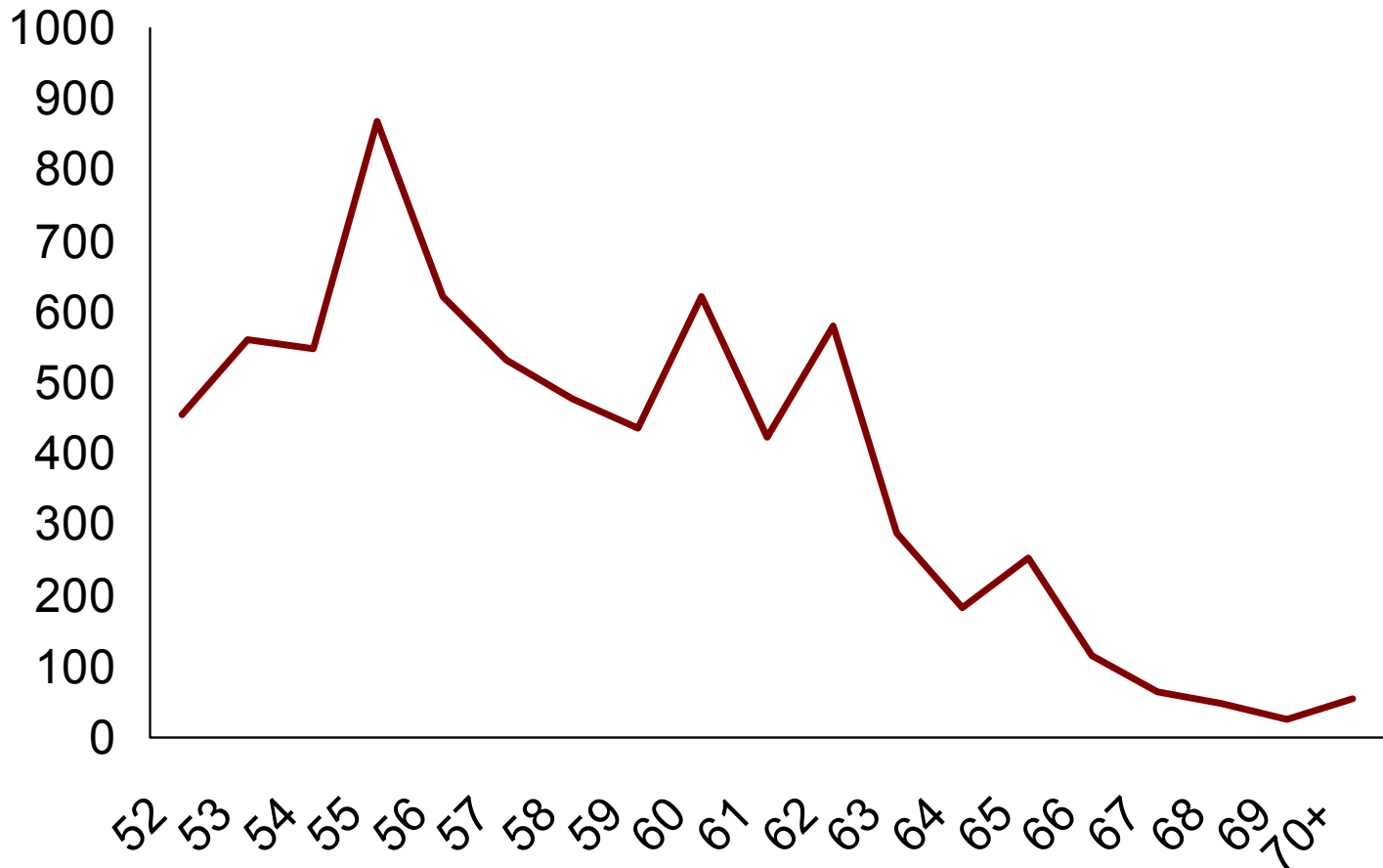
Plan 1 Retirement Experience

TRS – 1995-2000

Age	Actual	Old Assumptions	
		Expected	Ratio
52	454	394	
53	562	503	
54	549	504	
55	869	907	
56	623	702	
57	532	570	
58	476	486	
59	437	466	
60	622	579	
61	424	451	
62	580	578	
63	289	322	
64	182	241	
65	253	304	
66	115	102	
67	64	65	
68	49	48	
69	26	32	
Total	7,106	7,253	98%
70+	56		
	7,162		

Plan 1 Retirement Experience

TRS – 1995-2000



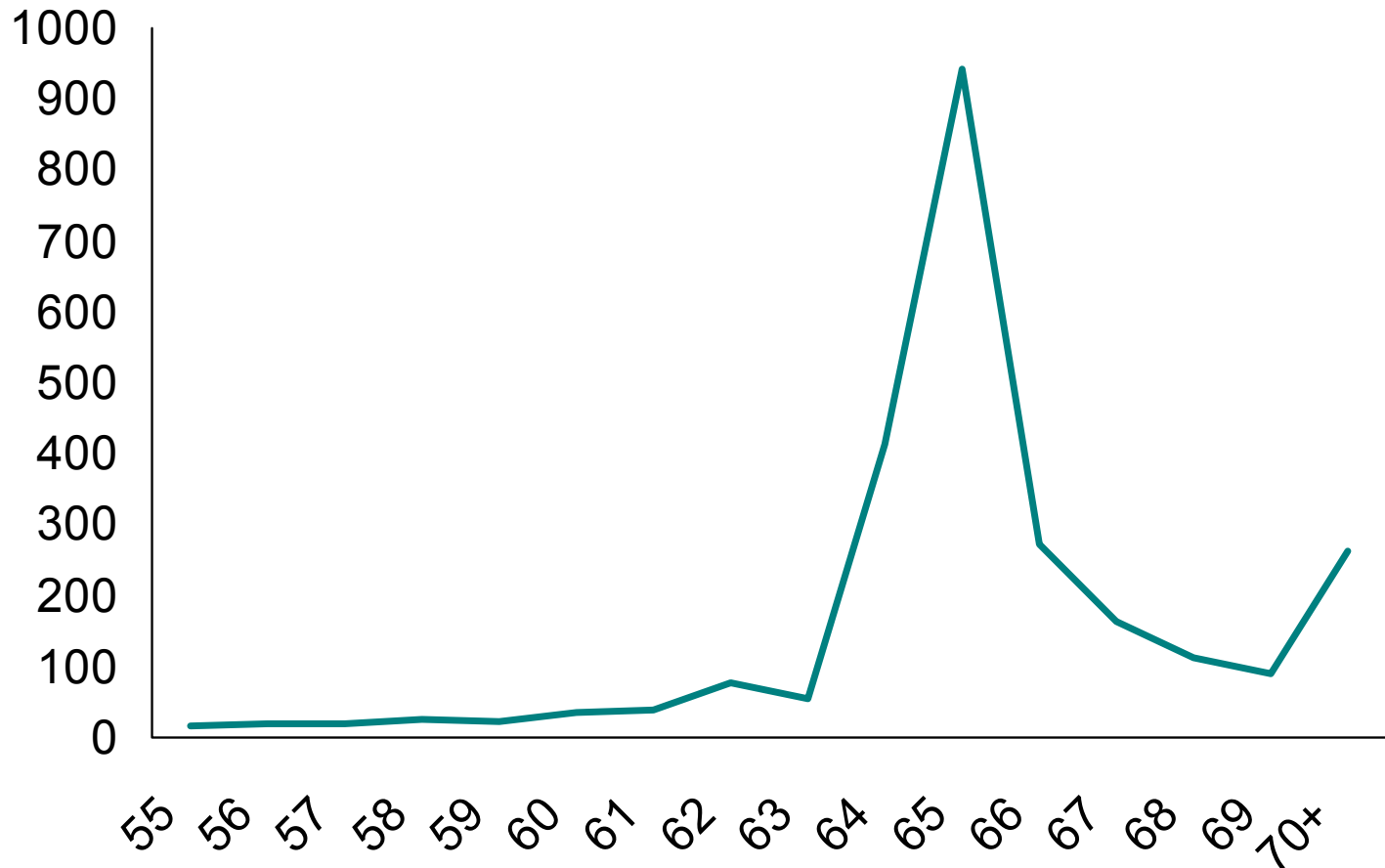
Plan 2/3 Retirement Experience

PERS – 1995-2000

Age	Actual	Old Assumptions	
		Expected	Ratio
55	17	13	
56	19	12	
57	20	16	
58	27	15	
59	23	15	
60	36	19	
61	37	19	
62	76	132	
63	54	56	
64	413	206	
65	941	1,210	
66	274	418	
67	162	291	
68	112	214	
69	90	159	
Total	2,301	2,796	82%
70+	262		
	2,563		

Plan 2/3 Retirement Experience

PERS – 1995-2000



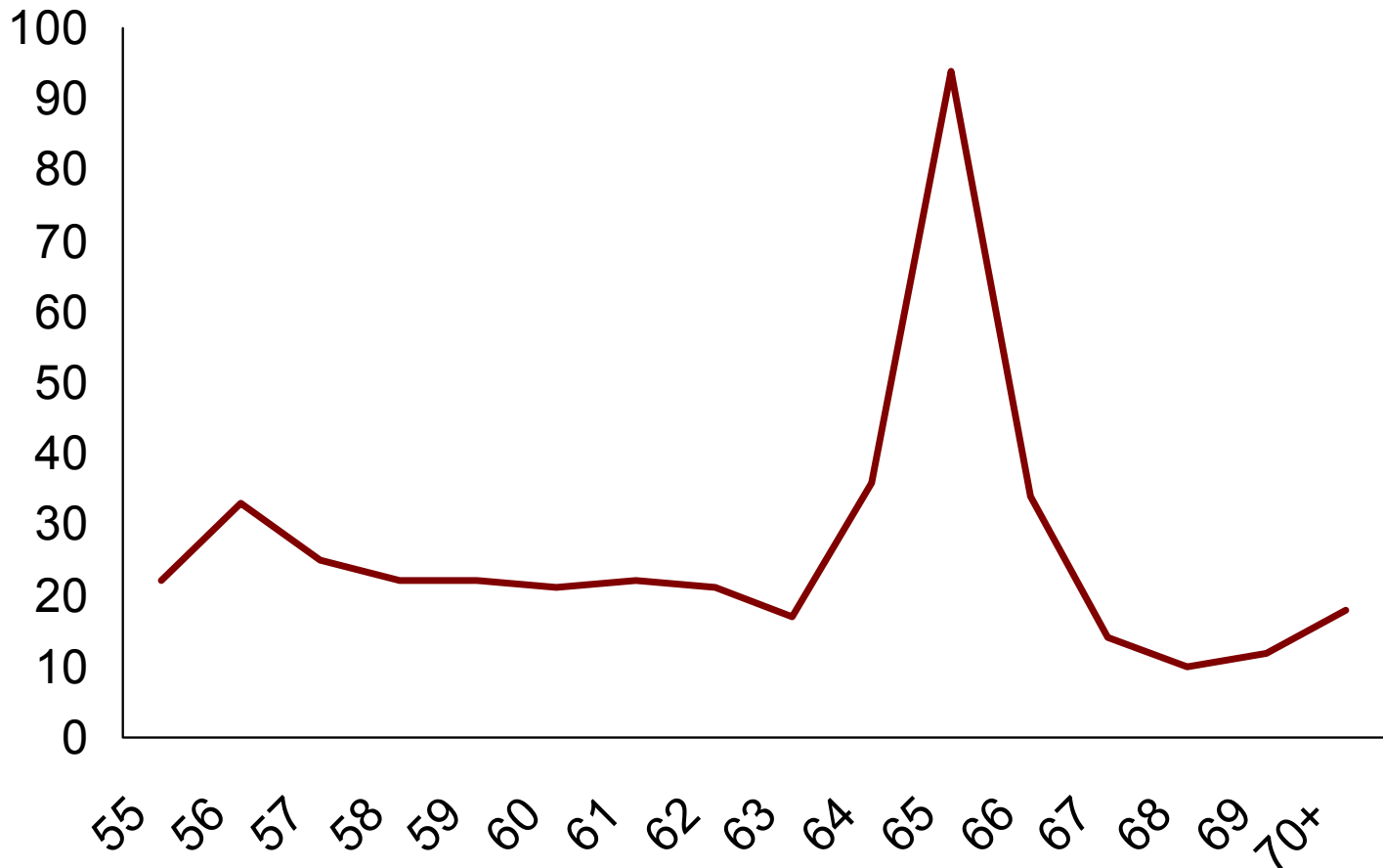
Plan 2/3 Retirement Experience

TRS – 1995-2000

Age	Actual	Old Assumptions	
		Expected	Ratio
55	22	26	
56	33	21	
57	25	19	
58	22	15	
59	22	14	
60	21	13	
61	22	9	
62	21	39	
63	17	16	
64	36	26	
65	94	135	
66	34	40	
67	14	21	
68	10	16	
69	12	11	
Total	405	420	96%
70+	18		
	423		

Plan 2/3 Retirement Experience

TRS – 1995-2000



Plan 2 Retirement Experience

LEOFF – 1995-2000

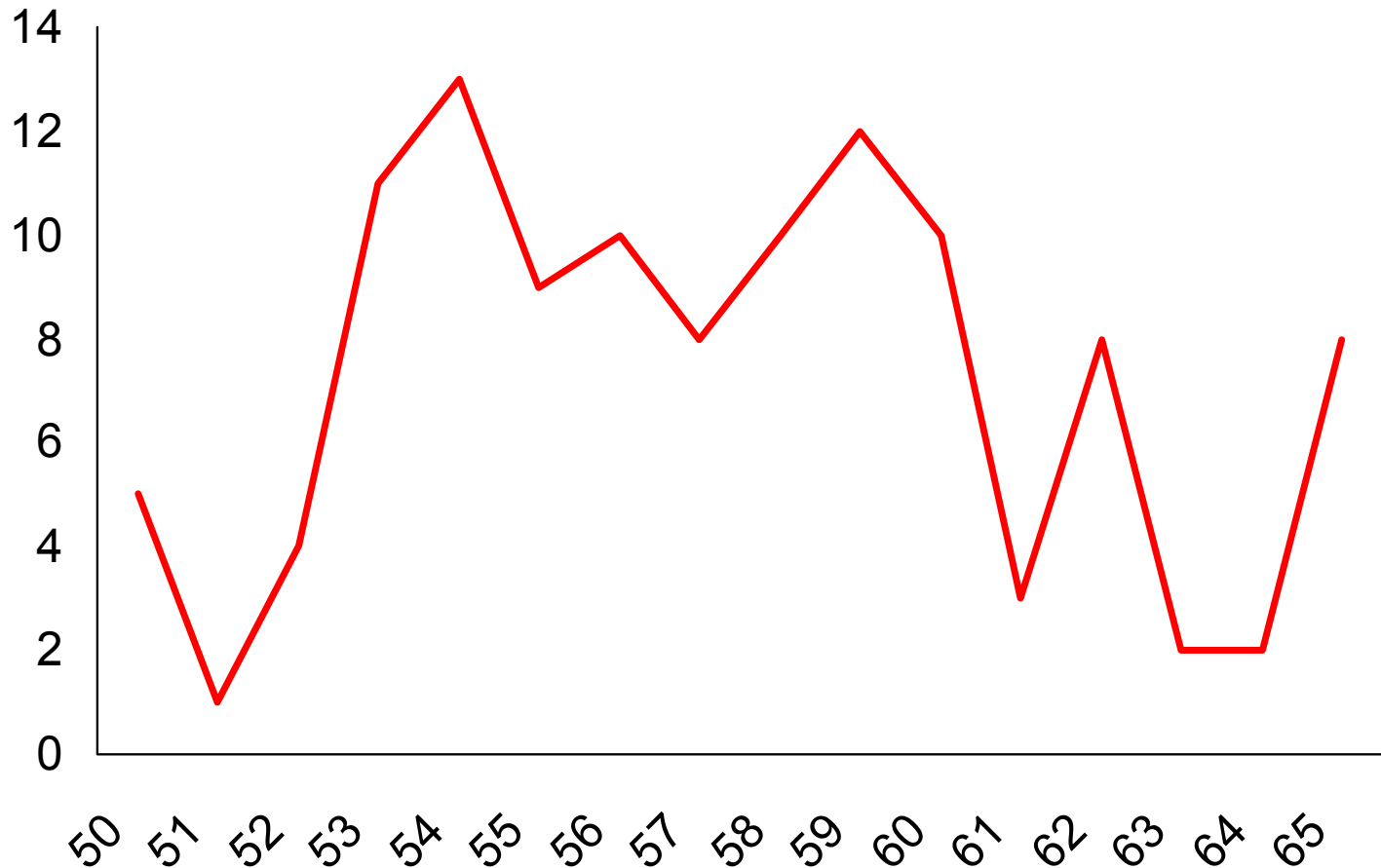
Old Assumptions

Age	Actual	Expected	Ratio
50	5	7	
51	1	7	
52	4	7	
53	11	226	
54	13	109	
55	9	92	
56	10	51	
57	8	38	
58	10	50	
59	12	38	
60	10	26	
61	3	21	
62	8	16	
63	2	11	
64	2	9	
65	8	29	
Total	116	738	16%

These rates reflect the lowered Normal Retirement Age at 53

Plan 2 Retirement Experience

LEOFF – 1995-2000



Termination Experience

PERS – 1995-1998

Years of Service	Actual	Expected	Ratio
0-1	14,338	11,569	
2-3	6,854	6,175	
4-5	4,478	3,816	
6-7	3,106	2,737	
8-9	1,879	1,893	
10-11	1,364	1,352	
12-13	992	894	
14-15	779	542	
16-17	592	358	
18-19	359	237	
20-21	187	133	
22-23	92	67	
24-25	41	31	
26-27	22	17	
28-29	6	9	
Total	35,089	29,831	118%

Termination Experience

TRS – 1995-1998

Years of Service	Actual	Expected	Ratio
0-1	1,723	1,242	
2-3	1,682	1,612	
4-5	1,097	1,196	
6-7	682	772	
8-9	392	458	
10-11	289	298	
12-13	183	186	
14-15	133	138	
16-17	137	123	
18-19	99	101	
20-21	86	83	
22-23	49	74	
24-25	61	62	
26-27	48	48	
28-29	24	32	
Total	6,685	6,425	104%

Termination Experience

SERS – 1995-1998

Years of Service	Actual	Expected	Ratio
0-1	6,286	6,054	
2-3	2,945	2,950	
4-5	1,815	1,717	
6-7	1,132	1,004	
8-9	693	640	
10-11	523	420	
12-13	364	255	
14-15	260	140	
16-17	198	92	
18-19	104	59	
20-21	56	32	
22-23	17	14	
24-25	9	5	
26-27	3	2	
28-29	1	1	
Total	14,406	13,385	108%

General Employment Turnover

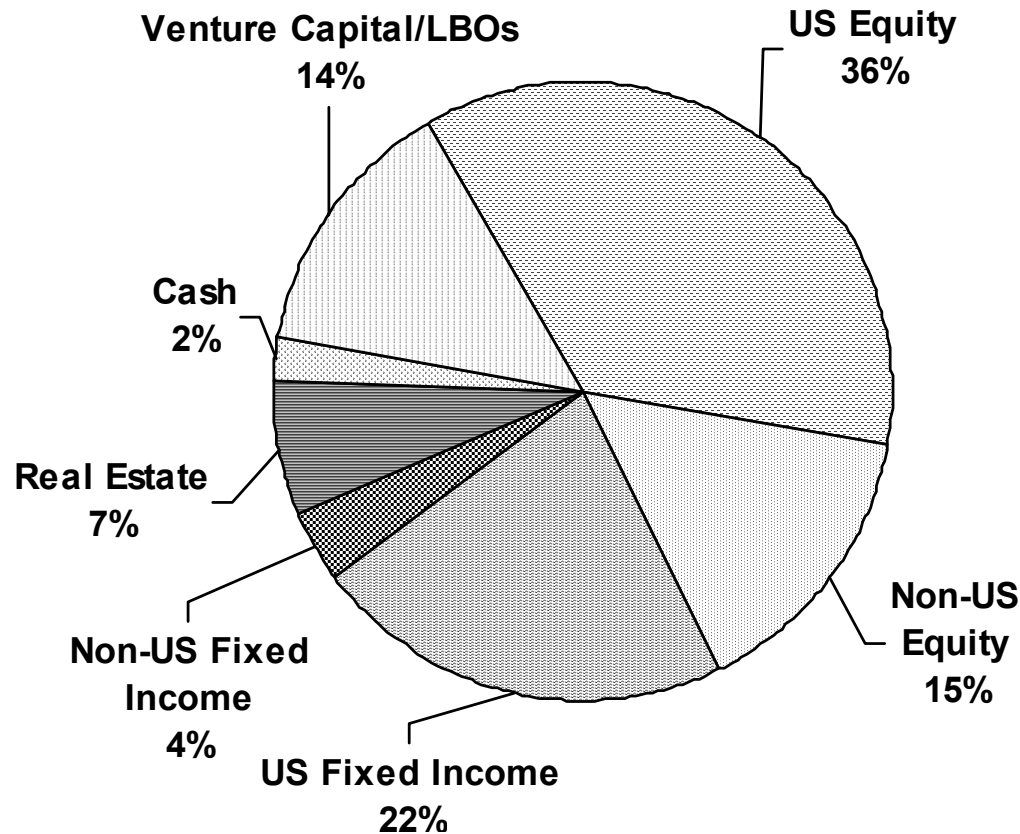
Probability of Termination in the Next Year

50/50 Male/Female

Years of Service	PERS	TRS	SERS	LEOFF
0	26%	10%	23%	10%
1	16%	10%	14%	5%
2	11%	7%	11%	2%
3	8%	5%	9%	2%
4	7%	4%	8%	2%
5	6%	4%	7%	2%
6	5%	3%	6%	2%
7	5%	3%	5%	2%
8	4%	2%	5%	2%
9	4%	2%	5%	2%
10	4%	2%	4%	2%

2000 Allocation of CTF Assets

CTF = Commingled Trust Funds



Total = \$45 billion

Economic Assumptions

Building Block Approach

Salary Increases

Merit
Productivity
Inflation

Investment Return

Risk Premium
“Real” Return
Inflation

2003-05 Rate Setting Timeline

